IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MISSOURI

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| GAMES WORKSHOP LTD., a U.K. corporation, Plaintiff, | : | |
| v. | : | Civil Action No: 04-0013-CV-W-FJG |
| BRIAN BEAL, a citizen of Missouri, Defendant. | : | |

**PLAINTIFF GAMES WORKSHOP'S OPPOSITION TO DEFENDANT'S MOTION FOR MODIFICATION OF THE STIPULATED PRELIMINARY INJUNCTION**

## I. INTRODUCTION

Defendant Brian Beal has moved to modify the Court's Preliminary Injunction. Specifically, Beal seeks two changes: (1) to narrow the injunction to prohibit only his "knowing" counterfeiting (and thus to permit his "unknowing" counterfeiting); and (2) to affirmatively order Plaintiff GW to provide Beal with guidelines for determining counterfeit miniatures, even though such guidelines were given in GW's Temporary Restraining Order papers.

Both requests should be denied. Through these requests, Beal effectively asks the Court to bless his sale of counterfeits, so that he can continue to defraud the public and profit from his unlawful use of GW's valuable intellectual property. As shown below, such relief is inappropriate and runs counter to the remedial purpose of the counterfeiting and trademark laws (e.g., to protect the public and the intellectual property owner from deception—whether done knowingly, blindly, or negligently).

Concerning Beal's request for more information, GW has already provided information. As such, Beal's request is plainly an attempt to use this lawsuit to educate himself on how to further his "business" of selling fake products without detection.

Finally, Beal's motion should be denied because it is a transparent ploy to avoid contempt sanctions. After acting on advice of counsel, Beal stipulated to the very order he now seeks to change. Beal filed his motion only after GW attempted to meet and confer on GW's motion for contempt sanctions (a motion that GW is filing separately), arising from Beal's continued sale of counterfeit miniatures in violation of the Court's Temporary Restraining Order, and from Beal's fraudulent representations to this Court in his Compliance Report. Beal should not be permitted to escape the consequences of his contempt by an after-the-fact attempt to modify an order he already agreed to.

## II. RELEVANT FACTS

### A. Beal's Counterfeiting, this Lawsuit, and the Court's TRO and Preliminary Injunction Orders

As detailed in its Complaint and TRO Papers, GW is one of the largest and most successful table-top war games companies in the world. GW offers a variety of elaborate fantasy games and associated products, including detailed miniature figures for use with its games.

Through a series of consumer complaints and subsequent investigations, GW learned that Defendant Beal was selling counterfeit, low quality, GW miniatures on eBay under the user name "mac-ace." In order to stop such unlawful activity, GW filed this lawsuit on January 6, 2004. That same day, GW moved for an *ex parte* temporary restraining order, seizure order, and expedited discovery. The Court granted GW's motion on January 7, 2004, and temporarily restrained Beal from:

> [M]anufacturing, importing, exporting, offering for sale, promoting, advertising, selling, distributing, shipping, or transferring any counterfeit versions of Games Workshop's miniatures, and/or any non-Games Workshop gaming products bearing the mark SPACE MARINE, ELDAR, GAMES WORKSHOP, WARHAMMER, GW, 40K, and any of Games Workshop's other trademarks.

(Exhibit B—Court's TRO at p. 3, ¶ A.1.)

The Court also ordered a search of Beal's premises and required Beal to "file with the Court and serve on Plaintiff within five (5) days after service of this Order, a report in writing and under oath, setting forth in detail the manner and form in which Defendant has complied with this Order." ( Exhibit B—Court's TRO at p. 7, ¶ L.)

On January 12, 2004, a search was conducted in accordance with the Court's Order. During that search, GW found several hundred counterfeit versions of its miniatures. However, in following a very strict reading of the Court's Seizure Order, GW did not take those counterfeits because they did not bear any of GW's registered trademarks, but rather bore GW's common-law mark "GW." GW did, however, advise Mr. Beal that these items were covered by the TRO, which prohibited their sale, distribution, promotion, or offer for sale.

On January 16, 2004 (after the Court-ordered deadline) Beal filed the required Compliance Report.[1] In that report, Beal stated under oath that he had "not made or sold any counterfeit versions of Games workshop;s [sic] products." (Exhibit C—Compliance Report.)

On January 15, 2004, Beal and GW stipulated to a Preliminary Injunction, with both parties acting on advice of counsel.[2] That injunction, which was entered by the Court on January 20, 2004, enjoined Beal from the same activities prohibited by the Court's TRO, the relevant language of which is reproduced above. (Exhibit D—Court's Preliminary Injunction Order at p. 1, ¶ A.1.)

### B. Beal's Contempt of this Court's Order and False Compliance Report

In violation of this Court's Order, and contrary to his own sworn declaration, Beal continued to sell counterfeit miniatures, as detailed below, and as documented in GW's motion for contempt sanctions.[3]

Specifically, in an effort to monitor Beal's compliance with the Court's Order, GW tracked Beal's various eBay auctions. Through a random check, GW contacted the winner of one of Beal's auctions on February 5, 2004 and asked to purchase the miniatures from the winner, Fredrick Bennett.[4] Bennett agreed and sent the miniatures to GW. Bennett indicated that when he purchased the miniatures from Beal, he believed that they were genuine GW products being resold over eBay.

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[1] Despite GW's repeated requests for a copy of the Compliance Report, Beal did not send it to GW until February 11, 2004.

[2] Although he has not entered a formal appearance in this case, attorney James Kernell, with the Chase law firm, in Overland Park, Kansas, has been acting on Mr. Beal's behalf. GW's counsel has directed all communications for this case through Mr. Kernell, including all communications relating to the stipulated Preliminary Injunction. Mr. Kernell, in turn, has spoken on Mr. Beal's behalf.

[3] That motion is being filed separately from this opposition.

After receiving the miniatures, which bore GW's trademark "GW," GW analyzed them through two members of its U.S. mold-making team. GW determined that the miniatures were counterfeit based on the following:

- The miniatures sold by Beal are cast in soft lead. As a result, they are very soft and pliable. Authentic GW Miniatures of equivalent age are cast in the harder metal pewter and are not as soft and pliable.

- The miniatures sold by Beal are smaller than the authentic GW Miniatures. Because the manufacturing process creates some shrinkage, a GW master model is larger than the resulting production pieces. Authentic GW Miniatures are created only from GW's master models, and never from other production pieces. Based on their size, the Beal Miniatures were cast from a production piece, and not from a GW master model.

- The miniatures sold by Beal show abnormal tearing and marking. Such tearing and marking would not appear on an authentic GW miniature because GW uses black rubber molds that do not leave these types of abnormalities. These tears and marks on the miniatures sold by Beal are likely the result of molds made of a low-quality silicone (low-quality silicone is widely available for purchase in hobby stores).

GW spoke with Beal's counsel to attempt to resolve this matter. Neither Beal nor his counsel responded. Instead, Beal filed this motion.

## III. ARGUMENT

This Court's Preliminary Injunction Order enjoined Beal from engaging in further trademark counterfeiting and trademark infringement. As such, the Order serves several critically important functions. First, the Order protects the public from being deceived into paying money for miniatures that purport to be genuine GW products, but which are in reality cheap imitations. Second, the Order protects GW's hard-earned reputation for quality products, which will be destroyed if people believe that GW stands behind the shoddy miniatures sold by Beal. Third, the Order stops Beal from unfairly profiting by poaching on GW's reputation.

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[4] That auction was identified on eBay as auction no. 3169319461. This was the first random check of Beal's auctions.

If Beal's motion is granted, and he is permitted to sell counterfeits so long as such sales are "unknowing," these critical safeguards will be lost. Indeed, Beal's proposed modification runs counter to the core functions and protections of the trademark laws, which, as detailed below, do not require that a defendant act knowingly or willfully.

### A. Willfulness is Not Required for Counterfeiting or Trademark Infringement

"A finding of intent to deceive is not required for a finding of counterfeiting." Rolex Watch U.S.A., Inc. v. Meece, No. 3:95-CV-1058-T, 2000 U.S. Dist. LEXIS 20583, at * 13-14 (N.D. Tex. Jan. 24, 2000). Specifically, Section 34 of the Lanham Act, which sets forth the standard for counterfeiting liability, includes no intent requirement, making unlawful the use of "a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services." 15 U.S.C. § 1116(d)(a)(A). Section 34 even provides for the enhanced remedy of an *ex parte* seizure without the need to prove a defendant's bad faith. Id.

Moreover, Section 35 of the Act, which governs counterfeiting damages, provides separate statutory schemes for cases of "willful" counterfeiting versus non-willful counterfeiting. 15 U.S.C. § 1117(c)(1) and (2). Bad-faith intent is not required even for an award of enhanced non-statutory damages. As explained by leading commentator Professor McCarthy:

> It is sufficient that a retailer "failed to inquire further because he was afraid of what the inquiry would yield. Willful blindness is knowledge enough."[5] Thus, a retailer who buys inferior quality merchandise marked with a famous brand name at an unusually low price from an itinerant peddler and resells it cannot defend on the ground that he or she did not "know" that's something was amiss. This is "willful blindness."[6]

5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §30:94 (4th ed. 2002). Having already been caught counterfeiting, Beal has demonstrated, at the very least, willful blindness in his continued sale of counterfeit miniatures.

As is the case with counterfeiting, willfulness is not required for trademark infringement. Bass Buster, Inc. v. Gapen Mfg. Co., 420 F. Supp. 144, 160 (W.D. Mo. 1976) (holding that "[p]roof of deceitful intent is not required because intent is not a necessary element of the tort of unfair competition."); Gateway, Inc. v. Companion Prods., Inc., No. Civ. 01-4096-KES, 2003 U.S. Dist. LEXIS 21461, at * 30 (D.S.D. 2003) (holding that "[p]roof of an intent to confuse the public is not necessary to a finding of a likelihood of confusion") (citations omitted); Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, 758 F. Supp. 512, 518 (E.D. Mo. 1991) (holding that "intent to infringe is not a necessary element of trademark infringement").

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[5] Louis Vuitton S.A. v. Lee, 875 F.2d 584, 587 (7th Cir. 1989) (holding that merchants who resold poorly crafted counterfeit luggage obtained from a peddler at very low prices "knowingly" engaged in the sale of counterfeit goods); Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (explaining "[w]illfull blindness is equivalent to actual knowledge for purposes of the Lanham Act . . . To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate"; and holding that landlord of flea market where counterfeit goods are sold may be liable as contributory infringer).

[6] Chanel, Inc. v. Italian Activewear of Florida, Inc., 931 F.2d 1472, 1476 (11th Cir. 1991) (holding "willful blindness could provide the requisite intent or bad faith"; retailer bought CHANEL-mark handbags lacking the usual indicia of authenticity and knew seller was not an authorized distributor"); Levi Strauss & Co. v. Diaz, 778 F. Supp. 1206, 1207-08 (S.D. Fla. 1991) (holding that willful blindness in buying inferior quality counterfeit LEVI's jeans from strangers is not "innocent" to mitigate treble damages and attorneys' fees).

The reason that willfulness is not required for counterfeiting or trademark infringement is rooted in the trademark law's purpose of protecting the public from confusion, mistake, and deceit. The trademark laws are a type of consumer protection and have as their "fundamental purpose the avoidance of public confusion as to the origin of goods." Puritan Sportswear Corp. v. Shure, 307 F. Supp. 377, 390 (W.D. Pa. 1969); see also United States Jaycees v. Commodities Magazine, Inc., 661 F. Supp. 1360, 1367 (D. Iowa 1987) (explaining that "[t]he intent of Congress in enacting The Lanham Act was multi-faceted. Two of the purposes of the Act were to enable the public to buy with confidence and to protect holder from this misappropriation of its mark."); 1 McCarthy at § 2.33 ("[P]rotection of trademarks is merely a facet of consumer protection. As a result, the plaintiff in trademark litigation may accurately be characterized as the 'vicarious avenger' of consumer interests.")

### B. Beal's Request for an Order Requiring GW to Provide Him With More Information Should be Denied

In his second request, Beal remarkably asks the Court to affirmatively order GW, the plaintiff in this case, to provide Beal with "detailed instructions for identifying counterfeit or recast miniatures from plaintiff." Such relief is inappropriate and unnecessary for several reasons.

First, GW's TRO papers, and the supporting Declaration of Owen Branham, amply explain how to determine whether a miniature is genuine or counterfeit. Having disregarded those guidelines, Beal cannot now insist on more information.

Further, providing Beal with the requested blueprints of GW's products will simply educate Beal on how to traffic in undetectable counterfeits. Courts have acknowledged that those engaged in counterfeiting, such as Beal, cannot be trusted—a point rooted in the Lanham Act's legislative history. See, e.g., Polo Ralph Lauren, L.P. v. 3M Trading Co., No. 97-Civ-4824, 1999 U.S. Dist. LEXIS 7913, at *13 (S.D.N.Y. 1999) (noting Congress observed that "enabling trademark owners to elect statutory damages is both necessary and appropriate **in light of the deception routinely practiced by counterfeiters**") (citing S. Rep. No. 104-177, 104th Cong., 1st Sess., at sec. 7 (1995)) (emphasis added); Pepe (U.K.) Ltd. v. Ocean View Factor Outlet Corp., 770 F. Supp. 754, 760 (D.P.R. 1991) (TRO not enough in counterfeiting case because "it is common for counterfeiters to simply ignore and violate the order by destroying or hiding the property in question").

Beal plainly cannot be trusted. Not only did Beal engage in counterfeiting, he violated this Court's TRO *a mere 5 days after being served with the order.* Further, he lied to this Court in filing a fraudulent Compliance Declaration.

## III. CONCLUSION

For the reasons noted above, Defendant Brian Beal's motion to modify the Court's Preliminary Injunction Order should be denied.

Respectfully submitted,

Dated: March 26, 2004

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